

## The complaint

A, a limited company, complains that Lloyds Bank PLC made errors when switching its bank account leading to inconvenience and business disruption.

## What happened

A applied to Lloyds to switch its account from a different financial business. The director contacted Lloyds when the switch was due to take place as he hadn't received a card, paying in book, card reader or PIN. He was told that the address linked to the account had been incorrect. And that the items needed to be ordered again. He says he was told not to take card payments and so lost business.

Lloyds said in its final response that it had provided a poor service and that the items had in error been sent to an incorrect address. It couldn't explain why. It offered to pay A £150 and cover its call costs. And it said it would consider any claim for business losses if A provided evidence. When it submitted its business file to this service it said that in fact no items were sent to the incorrect address. But that these had been 'referred' rather than produced which it thought was due to the address mismatch. The card was dispatched on 1 March 2022 to the correct address. It considered that the compensation offered was fair.

Our investigator didn't recommend that Lloyds do more than it had offered to. There was an error made and this caused a delay in A receiving the card, PIN and paying in book. She couldn't see evidence that A had been told by Lloyds not to use the account in the meantime. And nor had the account been blocked so that payments couldn't be accepted. The only restriction was to prevent items going to the incorrect address. She didn't think that Lloyds should pay further compensation.

A didn't agree. The director pointed out that the final response letter had said that a block had been placed on the account. He insisted he was told not to use the credit card machine to take payments as it would compromise the business. He said he felt insulted to be told that he'd misunderstood things. And he asked what he had to gain for A by not using the card machine given the impact on the business and that his customers were unhappy with this. He thought there had been a breach of data protection by the wrong address being used.

## *My provisional decision*

I issued a provisional decision on 8 February 2023. I set out below what I said.

I explained that I wouldn't be able to say *exactly* what happened and I would be thinking about what is *most likely* based on the information and submissions made.

A applied for an account switch and took all the steps Lloyds said were necessary. I could see from its account statement that the final balance from its previous bank was transferred to Lloyds on 25 February 2022 and that other credits were sent on. There was no use of the account after 28 February 2022 until a direct debit payment on 10 March 2022. And money was paid into the account the next day.

I'd listened to recordings of calls with the director provided by Lloyds including a number on 25 February 2022. For reasons which aren't clear an incorrect address was associated with A's account. A card, PIN and paying in book were ordered. During one call the director was told that he could go to a branch to make transfers if he had photo identification and that if he had problems the branch could phone a central team. He was told that his new account wasn't frozen but that his account with the other bank would be closed.

On 28 February 2022 the director also spoke to Lloyds. He was asked that day about a payment into the account which had come from his merchant services provider. During that call the director explained he'd borrowed £5,000 from a family member and was using another account to arrange for essential business payments. Again, Lloyds said that the only option to access A's account was to go to a branch until the items arrived.

When the director spoke to the complaints team on 12 April 2022 he said he'd been told not to use his credit card machine to process payments. And that all he could do was take cash payments. He later estimated that the loss in sales for A was some £866 as a result. He wanted £1,000 in compensation but Lloyds offered £150 plus an allowance for call costs which A rejected.

### *My assessment*

As I referred to above I thought it was apparent on 28 February 2022 that payments were still being received to A's account. While I could understand that the director may have been worried if his card and other items had been sent to another address I didn't hear him being told by Lloyds that the account was blocked from being used. He was told he could access the account through a branch. And I understood that the switching arrangement would mean any credits would be diverted to the new account for a period. So, I didn't see that he was told not to use the card machine due to any concerns about possible fraud on the evidence. And why as he's said to this service he couldn't use this until 13 March 2022. So, I said I wouldn't be making any award for any related financial loss A has asked for as I didn't think that Lloyds is fairly responsible for this.

A was clearly caused inconvenience. It needed to contact suppliers and make special arrangements for payments. It had to borrow money and the director spent time on the phone trying to get things addressed. A could reasonably have expected the switch to go smoothly given the notice given. It's been given inconsistent information about whether for example a card was actually issued to the wrong address. But even if that was as Lloyds now say 'referred' rather than produced on 17 February 2022 I'd seen no evidence Lloyds took any action about that until the director phoned on 25 February 2022. And the actual card was sent out on 1 March 2022 and was due to be with A by 6 or 7 March 2022. It also seems that no steps had been taken to ensure A was set up for online banking and I could see that an application was acknowledged on 3 March 2022.

I could appreciate that A didn't consider the branch provided assistance when the director first visited. But he was told on the phone he could use the account from the branch. That would have still been inconvenient but a way of accessing the funds in the account.

A is a limited company that can't suffer distress. And as it is a separate legal entity I couldn't consider distress caused to the director by what happened. I could consider the ongoing inconvenience which arose from the error by Lloyds and the steps A reasonably needed to take to mitigate what happened that I'd set out.

I'd taken into account our published guidelines about compensation. Having considered all the relevant factors here my provisional view was that compensation of £400, and so an increase of £250, is a fair amount to reflect what happened and all the steps I accepted A as

a result needed to make and the inconvenience. I noted too that the final response letter didn't give what Lloyds now says is the correct information about what happened and largely seemed to repeat what the director had said during a call.

I knew that the director of A would be disappointed with my findings as these don't correspond with his recollection and the compensation is less than he wanted. I said that A remains free to pursue this matter in court if it doesn't accept my decision when it becomes final.

### **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Lloyds said it had nothing further to add.

A didn't agree and the director said that the compensation fell short of what was required. He said that the timeline for the switch ought to have been seven to ten days not some six weeks. The delay called into question what Lloyds had said. And in the final response it had said that items had been sent out and the account blocked. But after this service became involved Lloyds had changed what it said, and he thought that this meant that a mistake had been made which it was trying to cover up. The director said he wished he could prove that he'd been told not to take card payments because A as a micro business had made losses as a result. He understood that I couldn't make an award for his stress. But he wanted me to understand what had been involved and that A had no realistic and local choice for any other bank. And he set out the weeks that had passed since the switch request was made and that the account wasn't properly up and running until 14 March 2022.

I appreciate what A says about the total time the switch took. But here I think the most relevant period is that after its original bank account was closed. When a switch is made in this way both banks involved have to set a switch date. And that here seemed to be 25 February 2022 as this was the date that A's previous bank sent the account balance to Lloyds. The point is that the account with Lloyds ought to have been operational by then and it wasn't.

I've looked at all the information and listened to the call recordings provided in coming to an assessment. I appreciate and had set out in my provisional decision that Lloyds hasn't been consistent in what it's said. But I didn't hear or see evidence that it told A not to take card payments but instead said that the account could be used through the branch. It didn't send the card, PIN and other items to A in a timely way and there was clearly a mistake in recording the address. I remain of the view that I can't reasonably hold Lloyds responsible for a financial loss to A. And that I need to assess the inconvenience caused and the steps A needed to take. I'm afraid that having done so I still consider that £400 remains the appropriate total level of compensation for this.

### **My final decision**

My decision is that I uphold this complaint and I require Lloyds Bank PLC to pay A a total of £400.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 10 April 2023.

Michael Crewe  
**Ombudsman**